

HOUSE BILL No. 1575

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-35.

Synopsis: Tax credit for new small businesses. Provides that a taxpayer that is a qualified small business startup is entitled to a graduated tax credit against adjusted gross income tax liability. Defines a "qualified small business startup" as a business that: (1) is not part of an affiliated group of corporations or under common control; (2) has fewer than 10 full-time employees; (3) has sales of not more than \$1,000,000; (4) is not publicly traded; and (5) during the preceding five years, was in the first year of employer compliance concerning worker's compensation requirements. The amount of the graduated tax credit is: (1) 100% of adjusted gross income tax liability for the first taxable year of the qualified small business startup; (2) 80% of adjusted gross income tax liability for the second consecutive taxable year of the qualified small business startup; (3) 60% of adjusted gross income tax liability for the third consecutive taxable year of the qualified small business startup; (4) 40% of adjusted gross income tax liability for the fourth consecutive taxable year of the qualified small business startup; and (5) 20% of adjusted gross income tax liability for the fifth consecutive taxable year of the qualified small business startup.

Effective: January 1, 2016.

Wright

January 20, 2015, read first time and referred to Committee on Ways and Means.



First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

HOUSE BILL No. 1575

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-35 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2016]:

4 **Chapter 35. Small Business Startup Tax Credit**

5 **Sec. 1. As used in this chapter, "pass through entity" means:**

- 6 (1) a corporation that is exempt from the adjusted gross
7 income tax under IC 6-3-2-2.8(2);
8 (2) a partnership;
9 (3) a limited liability company; or
10 (4) a limited liability partnership.

11 **Sec. 2. As used in this chapter, "qualified small business**
12 **startup" means a business that:**

- 13 (1) is not:
14 (A) an affiliated group as provided in Section 1504 of the
15 Internal Revenue Code; or



- 1 (B) under common control as defined by the Internal
 - 2 Revenue Code;
 - 3 (2) has fewer than ten (10) full-time equivalent employees;
 - 4 (3) has annual sales of not more than one million dollars
 - 5 (\$1,000,000);
 - 6 (4) is not publicly traded; and
 - 7 (5) during the preceding five (5) years, was in the first year of
 - 8 employer compliance with IC 22-3-2 through IC 22-3-6
 - 9 concerning worker's compensation.
- 10 Sec. 3. As used in this chapter, "state tax liability" means a
- 11 taxpayer's tax liability that is incurred under IC 6-3-1 through
- 12 IC 6-3-7 (the adjusted gross income tax) that is attributable to a
- 13 qualified small business startup.
- 14 Sec. 4. As used in this chapter, "taxpayer" means an individual,
- 15 a corporation, a partnership, or other entity that has state tax
- 16 liability.
- 17 Sec. 5. A taxpayer that is a qualified small business startup is
- 18 entitled to a credit against the taxpayer's state tax liability for the
- 19 taxable year as provided under section 6 of this chapter. A
- 20 taxpayer is not entitled to a credit under this chapter:
- 21 (1) after the fourth consecutive taxable year following the first
 - 22 taxable year during which the taxpayer is a qualified small
 - 23 businesses startup; and
 - 24 (2) if the taxpayer ceases to be a qualified small business
 - 25 startup.
- 26 Sec. 6. The amount of the credit to which a taxpayer is entitled
- 27 under section 5 of this chapter equals:
- 28 (1) one hundred percent (100%) of the taxpayer's state tax
 - 29 liability for the first taxable year during which the taxpayer
 - 30 is a qualified small business startup;
 - 31 (2) eighty percent (80%) of the taxpayer's state tax liability
 - 32 for the second consecutive taxable year after the first taxable
 - 33 year during which the taxpayer is a qualified small business
 - 34 startup;
 - 35 (3) sixty percent (60%) of the taxpayer's state tax liability for
 - 36 the third consecutive taxable year after the first taxable year
 - 37 during which the taxpayer is a qualified small business
 - 38 startup;
 - 39 (4) forty percent (40%) of the taxpayer's state tax liability for
 - 40 the fourth consecutive taxable year after the first taxable year
 - 41 during which the taxpayer is a qualified small business
 - 42 startup; and



1 **(5) twenty percent (20%) of the taxpayer's state tax liability**
2 **for the fifth consecutive taxable year after the first taxable**
3 **year during which the taxpayer is a qualified small business**
4 **startup.**

5 **Sec. 7. If a pass through entity is entitled to a credit under**
6 **section 5 of this chapter but does not have state tax liability against**
7 **which the tax credit may be applied, a shareholder, partner, or**
8 **member of the pass through entity is entitled to a tax credit equal**
9 **to:**

10 **(1) the tax credit determined for the pass through entity for**
11 **the taxable year; multiplied by**

12 **(2) the percentage of the pass through entity's distributive**
13 **income to which the shareholder, partner, or member is**
14 **entitled.**

15 **SECTION 2. [EFFECTIVE JANUARY 1, 2016] (a) IC 6-3.1-35, as**
16 **added by this act, applies to taxable years beginning after**
17 **December 31, 2015.**

18 **(b) This SECTION expires January 1, 2019.**

